深圳一致药业股份有限公司

Shenzhen Accord Pharmaceutical Co., Ltd.

Semi-annual Financial Report 2006

Financial Report (Un-audited)

Balance sheet

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Unit: RMB

Items		Jun. 30, 2006		Dec. 31, 2005	
		Consolidation	Parent Company	Consolidation	Parent Company
Current assets:					
Monetary funds		223,454,262.12	39,276,224.09	169,288,045.66	75,509,035.69
Short-term investment					
Notes receivable		43,502,432.38		26,624,529.36	
Dividend receivable		517,540.03	1,003,652.66	517,540.03	2,826,076.94
Interest receivable					
Accounts receivable		1,049,971,125.69	277,214,246.46	343,370,764.44	226,103,323.79
Other receivables		43,418,598.52	84,550,902.09	21,188,887.65	79,390,509.30
Accounts in advance		22,920,381.24	28,204,775.56	23,533,697.28	16,474,647.61
Subsidy receivable		324,171.69	324,171.69	324,171.69	324,171.69
Inventories		462,215,899.18	81,711,819.06	209,691,744.63	91,774,981.89
Expenses to be apportioned		1,637,260.90	26,127.50	1,481,611.95	
Long-term bonds investment due within one year					
Other current assets					
Total current assets		1,847,961,671.75	512,311,919.11	796,020,992.69	492,402,746.91
Long-term investment:					
Long-term equity investment		109,380,881.69	376,490,616.91	76,253,572.46	287,092,973.30
Long-term credit investment					
Total long-term investment		109,380,881.69	376,490,616.91	76,253,572.46	287,092,973.30
Including: consolidation variance		54,281,007.08		21,872,551.07	
Fixed assets:					
Fixed assets-original value		453,580,086.18	88,264,985.26	240,207,450.20	88,430,478.76
Less: accumulative depreciation		189,902,720.07	32,048,716.14	119,744,857.80	28,723,623.95
Fixed assets-net value		263,677,366.11	56,216,269.12	120,462,592.40	59,706,854.81
Less: provision for devaluation of fixed assets		4,901,113.91	512,279.34	3,601,113.91	512,279.34
Fixed assets-net amount		258,776,252.20	55,703,989.78	116,861,478.49	59,194,575.47
Engineering material					
Construction in progress		137,743,634.81	31,624,756.59	81,250,107.61	31,624,756.59
Disposal of fixed assets		14,536.50			
Total fixed assets		396,534,423.51	87,328,746.37	198,111,586.10	90,819,332.06
Intangible and other assets:					
Intangible assets		2,867,610.18	1,092,054.06	1,461,987.80	1,426,733.67
Long-term expenses to be		6,795,259.03	214,645.10	599,909.76	308,018.00

apportioned					
Other long-term assets		14,860,127.68			
Total intangible and other assets		24,522,996.89	1,306,699.16	2,061,897.56	1,734,751.67
Deferred tax					
Deferred tax-debit					
Total assets		2,378,399,973.84	977,437,981.55	1,072,448,048.81	872,049,803.94

Balance sheet (Con.)

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Unit: RMB

Items		June 30, 2006		Dec. 31, 2005	
		Consolidation	Parent Company	Consolidation	Parent Company
Current liabilities:					
Short-term loans		184,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00
Notes payable		290,443,564.14	94,988,280.63	41,850,930.83	41,850,930.83
Accounts payable		934,293,611.26	283,490,245.67	334,334,823.97	267,050,720.43
Accounts received in advance		18,678,369.03	41,495.93	25,804,370.45	60,723.30
Wage payable		36,631,249.20	15,108,357.70	50,353,654.37	15,866,058.79
Welfare funds payable		9,190,071.27	1,433,133.24	5,315,887.56	1,486,505.30
Dividends payable		10,949,677.20	10,949,677.20		
Taxes payable		5,559,030.48	1,191,470.73	5,903,780.81	-947,922.12
Other duties payable		516,179.85	63,783.14	51,511.89	479.34
Other accounts payable		393,351,024.66	92,628,817.98	196,669,571.70	109,188,644.36
Accrued expenses		20,266,182.13	5,699,294.10	7,642,248.15	1,863,887.92
Projected liabilities					
Long-term liabilities due within 1 year					
Other current liabilities					
Total current liabilities		1,903,878,959.22	515,594,556.32	677,926,779.73	446,420,028.15
Long-term liabilities					
Long-term loans					
Bonds payable					
Long-term accounts payable		2,309,276.90			
Special accounts payable		1,000,000.00	800,000.00	800,000.00	800,000.00
Other long-term liabilities		23,085,874.07			
Total long-term liabilities		26,395,150.97	800,000.00	800,000.00	800,000.00
Deferred tax					
Deferred tax-credit item					

Total liabilities		1,930,274,110.19	516,394,556.32	678,726,779.73	447,220,028.15
Minority interests		31,365,181.78			
Owner's equity (or shareholders' equity):					
Paid-in capital (or share capital)		288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Less: Restituted investment					
Net amount of paid-in capital (share capital)		288,149,400.00	288,149,400.00	288,149,400.00	288,149,400.00
Capital public reserve		17,741,872.48	17,741,872.48	17,741,872.48	17,741,872.48
Surplus public reserve		71,732,731.22	50,136,125.19	71,732,731.22	50,136,125.19
Including: Statutory public welfare fund				10,270,488.26	3,092,023.33
Retained profit		76,375,586.20	105,016,027.56	46,112,373.80	68,802,378.12
Add: Loss of unconfirmed investment		-37,238,908.03		-30,015,108.42	
Balance difference of foreign currency translation					
Total owner's equity (shareholders' equity)		416,760,681.87	461,043,425.23	393,721,269.08	424,829,775.79
Total liabilities and owner's equity (shareholder's equity)		2,378,399,973.84	977,437,981.55	1,072,448,048.81	872,049,803.94

Statement of Profit and Profit Distribution

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Unit: RMB

Items	Jan.-Jun. 2006		Jan.-Jun. 2005	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Income from core business	2,640,614,162.37	587,719,870.26	791,615,992.22	468,413,172.26
Less: Cost of core business	2,339,106,777.34	560,867,253.94	598,522,370.70	449,037,517.29
Taxes and extras of core business	3,831,363.32	116,744.71	1,144,344.24	64,704.52
II. Profit of core business (Loss is listed with “-”)	297,676,021.71	26,735,871.61	191,949,277.28	19,310,950.45
Add: Profit of other business (Loss is listed with “-”)	16,467,878.37	3,040,899.07	10,471,260.85	1,698,880.16
Less: Operating expense	165,966,915.12	10,899,685.73	134,637,305.21	15,478,273.54
Administrative expense	78,563,323.24	21,713,682.42	43,602,150.90	16,427,596.66
Financial expense	9,972,804.54	587,928.99	-182,672.86	281,383.47
III. Operating profit (Loss is listed with “-”)	59,640,857.18	-3,424,526.46	24,363,754.88	-11,177,423.06
Add: Investment earnings (Loss is listed with “-”)	-507,273.09	50,548,726.97	370,517.53	30,474,530.31
Subsidy income	-	-		
Non- operating income	470,581.38	42,168.79	247,645.11	3,330.19
Less: non-operating expenditure	732,590.80	3,042.66	248,298.69	156.00
IV. Total profits (Total loss is listed with “-”)	58,871,574.67	47,163,326.64	24,733,618.83	19,300,281.44
Less: Income tax	15,685,955.79		5,436,214.00	
Add: Loss of unconfirmed investment	7,429,383.38			
Less: Minority interests	2,978,283.41		2,876.61	
V. Net profit (Net loss is listed with “-”)	47,636,718.85	47,163,326.64	19,300,281.44	19,300,281.44
Add: Undistributed profits at the year-begin	46,112,373.80	68,802,378.12	15,553,905.74	37,534,638.95
Other transfer-in	-6,423,829.25			
VI. Profit available for distribution	87,325,263.40	115,965,704.76	34,854,187.18	56,834,920.39
Minus: appropriation of statutory surplus public reserve				
Appropriation of statutory public welfare funds				
Appropriation of employees’ encouragement and welfare funds				
Appropriation of reserve funds				
Appropriation of enterprise development funds				
Profits’ restoring to investments				
VII. Profits available for distribution to investors	87,325,263.40	115,965,704.76	34,854,187.18	56,834,920.39
Less: dividends of preference share payable				
Appropriation of arbitrary surplus public reserve				
Dividends of ordinary share payable	10,949,677.20	10,949,677.20		
Dividends of ordinary share converting into capital (share capital)				
VIII. Retained profit	76,375,586.20	105,016,027.56	34,854,187.18	56,834,920.39

Supplemental information:				
1. Income from selling or disposal branch and investee enterprise				
2. Losses due from natural disaster				
3. Increase (or decrease) of total profit due to the change of accounting policies				
4. Increase (or decrease) of total profit due to the change of accounting estimation				
5. Loss on debts reorganization				
6. Others				

Statement of Cash Flow

Jan.-Jun. 2006

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Unit: RMB

Items	Consolidation	Parent Company
Ⅰ. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	2,748,716,301.17	628,421,533.45
Write-back of tax received	324,991.19	
Other cash received concerning operating activities	46,800,248.94	6,999,033.66
Subtotal of cash inflow arising from operating activities	2,795,841,541.30	635,420,567.11
Cash paid for purchasing commodities and receiving labor service	2,337,618,657.96	572,776,168.74
Cash paid to/for staff and workers	110,664,295.04	14,111,723.31
Taxes paid	81,564,946.12	3,397,371.61
Other cash paid concerning operating activities	137,121,361.37	16,383,512.93
Subtotal of cash outflow arising from operating activities	2,666,969,260.49	606,668,776.59
Net cash flows arising from operating activities	128,872,280.81	28,751,790.52
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income	2,822,107.65	49,220,671.96
Net cash received from disposal of fixed, intangible and other long-term assets	115,280.45	76,630.00
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	2,937,388.10	49,297,301.96
Cash paid for purchasing fixed, intangible and other long-term assets	60,369,492.76	397,098.70
Cash paid for investment	62,020,565.95	106,731,100.00
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	122,390,058.71	107,128,198.70
Net cash flows arising from investing activities	-119,452,670.61	-57,830,896.74
Ⅲ. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	104,000,000.00	
Other cash received concerning financing activities	73,878,148.43	79,478,957.93
Subtotal of cash inflow from financing activities	177,878,148.43	79,478,957.93
Cash paid for settling debts	108,800,000.00	
Cash paid for dividend and profit distributing or interest paying	21,648,710.89	152,582.55
Other cash paid concerning financing activities	2,678,170.80	86,480,080.76
Subtotal of cash outflow from financing activities	133,126,881.69	86,632,663.31
Net cash flows arising from financing activities	44,751,266.74	-7,153,705.38
IV. Influence on cash due to fluctuation in exchange rate	-4,660.48	
V. Net increase of cash and cash equivalents	54,166,216.46	-36,232,811.60

Statement of Cash Flow (Con.)

Jan.-Jun. 2006

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd. Unit: RMB

Items	Consolidation	Parent Company
Supplement information:		
1. Adjusting net profit to cash flows for operating activities:		
Net profit	47,636,718.85	47,163,326.64
Add: Withdrawal of provision for devaluation of assets	-3,240,230.98	1,406,978.52
Loss of unconfirmed investment	-7,429,383.38	
Depreciation of fixed assets	10,177,121.91	3,815,823.75
Amortization of intangible assets	-1,405,622.38	388,284.81
Amortization of long-term expenses to be apportioned	-6,195,349.27	93,372.90
Decrease of expenses to be apportioned (Less: increase)	-155,648.95	-26,127.50
Increase of accrued expenses (Less: decrease)	12,623,933.98	3,835,406.18
Loss on disposal of fixed, intangible and other long-term assets (Less: income)	-27,224.83	-76,630.00
Loss on rejection of fixed assets	-42,841.53	
Financial expenses	9,972,804.54	587,928.99
Investment loss (less: income)	507,273.09	-50,548,726.97
Deferred tax- credit item (Less: debit)		
Decrease of inventories (Less: increase)	-252,524,154.55	10,063,162.83
Decrease of receivables in operating (less: increase)	-745,094,659.10	-69,408,421.93
Increase of payables in operating (less: decrease)	1,061,091,260.00	81,457,412.30
Other		
Income of minority shareholders in this period	2,978,283.41	
Net cash flows arising from operating activities	128,872,280.81	28,751,790.52
2. Investment and financing activities with no cash incomings/outgoings involved		
Capital transferred from debts		
Convertible company bonds due within one year		
Fixed assets leasing for financing		
3. Net increase of cash and cash equivalents:		
Balance of cash at the period-end	223,454,262.12	39,276,224.09
Less: Balance of cash at the period -begin	169,288,045.66	75,509,035.69
Add: Balance of cash equivalents at the period -end		
Less: Balance of cash equivalents at the period -begin		
Net increase of cash and cash equivalents	54,166,216.46	-36,232,811.60

Statement of Provision for Devaluation of Assets

June 30, 2006

Prepared by Shenzhen Accord Pharmaceutical Co., Ltd.

Items	Balance at the begin of this year	Increase in this year	Decrease in this year			Balance at the end of the period
①	②	③	Switching back due to assets price recovery④	Switching out due to other reason⑤	Total ⑥	⑦
I. Total of provision for bad debts	16,339,578.40	19,227,661.96		8,407,660.53	8,407,660.53	27,159,579.83
Including:Accounts receivable	10,605,407.20	11,304,291.72		5,959,632.42	5,959,632.42	15,950,066.50
Other receivable	5,734,171.20	7,923,370.24		2,448,028.11	2,448,028.11	11,209,513.33
II. Total of provision for falling price of short-term investment						
Including: Stock investment						
Bond investment						
III. Provision for falling price of inventory	14,315,933.14	2,797,203.28		442,229.43	442,229.43	16,670,906.99
Including: Raw material	26,504.94					26,504.94
Work in process						-
Finished goods	984,095.30					984,095.30
Merchandise inventory	1,158,425.96	2,797,203.28		442,229.43	442,229.43	3,513,399.81
Low price consumable commodity						-
Commodity issued on instalment	12,146,906.94					12,146,906.94
Packing						-
Other						-
IV. Total of provision for devaluation of long-term investment	521,027.36	954,173.26				1,475,200.62
Including: Long-term equity investment	521,027.36	954,173.26				1,475,200.62
Long-term credit investment						-
V. Total of provision for devaluation of fixed assets	3,601,113.91	1,300,000.00				4,901,113.91
Including: Building	2,063,013.88	1,300,000.00				3,363,013.88

Machinery and equipment						
Equipment of conveyance	482,114.08					482,114.08
Electronic equipment	1,055,985.95					1,055,985.95
Other equipment						-
VI. Provision for devaluation of intangible assets						-
Including: Patent right						-
Trademark right						-
VII. Provision for devaluation of construction in progress	1,850,000.00					1,850,000.00
VIII. Provision for devaluation of commission loan						-
Total	36,627,652.81	15,485,370.96		56,222.42	56,222.42	52,056,801.35